LWBC
LAND AND WATER
BRITISH COLUMBIA INC.

LAND AND WATER BRITISH COLUMBIA INC.

ANNUAL SERVICE PLAN REPORT

2005/06

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MESSAGE FROM THE CHAIR TO THE HONOURABLE PAT BELL, MINISTER RESPONSIBLE FOR LAND AND WATER B.C. INC.

I am pleased to submit to you the 2005/06 annual service plan report of Land and Water B.C. (LWBC).

2005/06 was a transition year for the Corporation. While 2005/06 began with the Corporation pursuing the mandate it had had for the last two years, on June 16, 2005, the government announced a restructuring of several government organizations, including LWBC. Your subsequent instructions to the Board to transfer LWBC's responsibilities to several Ministries and wind up the Corporation became a key focus of the organization in 2005/06.

During the fist six months of 2005 LWBC's performance included such achievements as:

- **Implementing 11 Free Crown Grants** for communities throughout the province to support economic development and diversification by providing access to Crown land for public facilities and community infrastructures.
- **Approving new Water Use Plans for six BC Hydro dam facilities** to improve water management and gain maximum public benefit from the resource. Water Use Plans are developed in consultation with communities and BC Hydro, and approved by the Comptroller of Water Rights.
- **Developing a Master Resort Development Agreement Template** to enhance British Columbia's competitive edge in resort development by providing a common, updated Master Development Agreement for resort developers to ensure clarity of purpose and consistency of application, create greater business certainty, and promote growth and investment.

LWBC has successfully transferred all of its programs to ministries and completed its wind-down activities pursuant to your direction. The Province and LWBC have entered into an assignment and assumption agreement that provides for the assignment of all LWBC assets to the Province and the assumption by the Province of all of LWBC's obligations. As such, this is LWBC's final Annual Service Plan Report.

The 2005/06 LWBC Annual Report was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the contents of the report. The information presented reflects the actual performance of LWBC for the 10 months ending January 31, 2006. All significant decisions, events and identified risks, as of January 31, 2006, have been considered in preparing the report.

On behalf of the Board and executive at LWBC, I would like to thank all of the staff and others who have contributed to the operation and final wind-down of LWBC.

Dana Hayden
Board Chair

The Corporation's headquarters was located in Victoria, BC. To support client service, the Corporation maintained four regional service centres and five field offices throughout the province. The Corporation had a staff complement of approximately 320 employees operating out of Victoria, Prince George, Fort St. John, Smithers, Williams Lake, Kamloops, Cranbrook, Penticton, Surrey, and Nanaimo.

LWBC Performance Highlights in 2005/06

Below is a brief summary of revenue and expenditures; significant outputs from tenure and licensing activity; and progress on application processing efficiency for the April 1 to September 30, 2005 period.

Land Sales and Community Development

The value of Crown land sales for the April 1 to September 30, 2005 period totalled $19.1 million.

2005/06 LWBC Revenue/Expenditures

Revenue transferred to the Province for the April 1 to September 30, 2005 period, net of LWBC fees, was $33.4 million, below the full year target of $90.2 million. Actual performance was reduced due to the partial operating year and focus on transferring responsibilities to ministries.

Total gross proceeds generated from land sales, tenure management and water licensing activity the April 1 to September 30, 2005 period was $50.7million.

Expenditures for this period were $24.1 million.

Tenure Activity

- 548 new tenures were issued
- 604 new Oil and Gas tenures were issued
- 936 replacement land tenures were issued
- 175 new water licences were issued from applications
- 212 new water licences were issued from amendments

Location of Operations

The Corporation's headquarters was located in Victoria, BC. To support client service, the Corporation maintained four regional service centres and five field offices throughout the province. The Corporation had a staff complement of approximately 320 employees operating out of Victoria, Prince George, Fort St. John, Smithers, Williams Lake, Kamloops, Cranbrook, Penticton, Surrey, and Nanaimo.

Performance and Financial Outcomes

LWBC Performance Highlights in 2005/06

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- 212 new water licences were issued from amendments

LWBC supported community development by processing 11 Free Crown Grants, and many more nominal rent tenures. These Free Crown Grants and nominal rent tenures included land in communities such as:

- Regional District of Fraser-Fort George for a community facility;
- Lumby for hospital/health facility;
- Kamloops for Public works and water line; and
- Surrey for a local park.

Processing Efficiency

- Approximately 96% of new land tenure applications and 91% of water licence applications were processed in under 140 days in the April 1 to September 30, 2005 period, exceeding the target of 90%.

Performance against Service Plan Targets:

A summary of LWBC performance compared with the 2005/06 to 2007/08 Service Plan performance targets is presented below. Many of the performance measures and targets were no longer relevant once government provided direction to wind-down the Corporation.

PERFORMANCE MEASURES	PERFORMANCE		
	2004/05 Actual	2005/06 Target	2005/06 Actual[1]
Transfer to Government	$87.9 million	$90.2 million	$33.4 million
Completion of Master Development Agreements (MDA)	2 (Mt. Mackenzie & White Water)	2 (Saddle Mt. & Mt. Baldy)	0[2]
Private sector capital investment[3]	$1.225 billion	$1.256 billion	$0.444 billion
Permanent jobs[3]	3,900	4,000	2,667
Construction jobs[3]	10,600	10,900	7,183
Processing Efficiency: Process land and water tenures within 140 days	90% of the time	90% of the time	96% of the time[4]
Reduce costs associated with revenue collection	Establish baseline	5% reduction	Not measured as a result of the wind-down of the corporation
Improvement on issues identified with key accounts as measured by annual focus group sessions	70% satisfaction	75% satisfaction	
Customer satisfaction as measured annually for land sales (baseline: 61%)	67% satisfaction	74% satisfaction	
Customer satisfaction as measured annually with land tenure holders, water license holders, and the business and commercial development community (baseline: 68%)	75% satisfaction	79% satisfaction	
Systems implemented to better meet business needs and improve customer responsiveness	Projects designed and in construction; Baseline systems survey established	Projects substantially complete; 5% satisfaction improvement	
Reduce pricing disputes with key accounts	Establish baseline	50% reduction	Limited implementation of systems projects prior to June 2005[5]
Bi-annual employee engagement and commitment survey satisfaction (baseline: 72%)	Survey Sept. 2005	80% satisfaction	Survey not done as a result of wind-down of the corporation
Improve capability and capacity of management	Develop key competencies for target positions & baseline to measure growth	Develop key competencies for target positions & baseline to measure growth	Not Applicable due to the wind-down of the corporation
Participation rate for management staff in Employee Performance and Development programs	95%	100%	
Participation rate in the Provincial Succession Planning Program	95%	100%	

[1] 2005/06 Actual figures are reported for the period of April 1 to September 30, 2005. As of October 1, 2005 LWBC transferred all programs and functions to receiving ministries and ceased operations.

[2] The Saddle Mt. project was delayed at the proponent's request and it is expected that Mount. Baldy will be completed in the 2006/07 fiscal year.

[3] These values represent estimates which are calculated on the basis of a measurement methodology approved by BC Stats.

[4] LWBC has reviewed the impact of moving from 90% achievement of the standard to 100% and has determined that the costs required to meet 100% are not in line with the "negligible impact" from a client relationship standpoint.

[5] Systems project were transferred to the Ministry of Environment and the Ministry of Agriculture and Lands.

Wind-Down

LWBC implemented the direction to transfer its programs and functions by working closely with receiving ministries and central agencies. LWBC operations ceased as of September 30, 2005, when the formal transfer of programs and functions occurred, and the Corporation was wound-up over the following four months. All obligations and liabilities were assumed by the Province under an Assignment and Assumption Agreement to enable the Corporation to dissolve at government's fiscal year end, pursuant to the direction of the Shareholder.

LWBC's programs, functions and resources were transferred as follows:

Ministry of Agriculture and Lands	http://www.gov.bc.ca/al
▪ Aquaculture ▪ Aggregate and Quarry Materials ▪ Agriculture (extensive and intensive) ▪ Commercial General ▪ Communication Sites ▪ Community and Institutional use of Crown land ▪ Industrial – General ▪ Land and Management Transfers ▪ Log Handling	▪ Mining ▪ Oil and Gas ▪ Private Moorage ▪ Reserves Destinations and Notations ▪ Residential ▪ Roadways ▪ Utilities ▪ Independent Power Producer Projects – supporting land-based activities.
Ministry of Environment	http://www.gov.bc.ca/env
▪ Waterpower rentals ▪ Water Licences ▪ Water Revenue Management ▪ Dam Safety ▪ Private Water Utilities Management	▪ WLIS/WaRMS (information systems) ▪ Water Use Plans ▪ Drought Management ▪ Water Reserves ▪ International Water Agreements
Ministry of Tourism Sport and the Arts	http://www.gov.bc.ca/tsa
▪ Commercial Recreation ▪ Commercial Alpine Ski	▪ All Season Resorts ▪ Golf Courses & Marinas associated with resorts
Ministry of Energy, Mines and Petroleum Resources	http://www.gov.bc.ca/empr
▪ Independent Power Producer Projects	
Ministry of Forests and Range	http://www.gov.bc.ca/for/
▪ *Land Act* Grazing Leases	
Ministry of Transportation	http://www.gov.bc.ca/tran/
▪ Airports and Port Authority Head Leases	
Ministry of Aboriginal Relations and Reconciliation	http://www.gov.bc.ca/arr
▪ Aboriginal Relations	

FINANCIAL REPORT

Management Discussion and Analysis

Business and Policy Environment

Until September 30, 2005, LWBC generated revenue through the marketing of Crown land, administration of Crown land tenures, and licensing of Crown water resources on behalf of the Province. LWBC was responsible for making Crown land and water allocation decisions and managing Crown land sales within government's strategic policy framework.

LWBC was delegated statutory powers under a Delegation Agreement for various sections of the *Land Act*, the *Ministry of Lands, Parks and Housing Act*, and the *University Endowment Land Act*. Under the terms of the same agreement, LWBC employed the Comptroller of Water Rights and other staff as required to carry out their appointed tasks under the *Water Act*.

LWBC funded its operations primarily through the retention of fees from revenue generated by its business activities. Authorization for retention of these fees was given by regulations made under section 14 of the *Financial Administration Act*. These regulations provided that LWBC could retain:

- 10% of net land sales revenue;
- 40% of net land tenure revenue;
- eligible project expenses from land sales and land tenures;
- 100% of non-power revenue from water licensing; and
- 7.5% of water rental revenues from minor power production (previously 11.5% in 2003/04 and 11% in 2004/05).

The Corporation remitted the balance of land related revenues to the Crown Land Special Account within the Consolidated Revenue Fund. Water rental revenues from minor power production were remitted to the Consolidated Revenue Fund.

Board of Directors

At the start of the 2005/06 fiscal year, the Board of Directors (the Board) consisted of eight members, all of whom were senior government officials or experienced executives from other public sector bodies. Following June 16, 2005, the Board was reduced to three members: the Deputy Minister of Environment, the Deputy Minister of Agriculture and Lands (the ministries receiving the majority of LWBC programs) and the Deputy Minister Strategic Policy, Natural Resources and the Economy, Office of the Premier.

The Responsibility of the Board of Directors

The role of the Board of Directors is that of a leader, overseer, steward and reporter to interpret the mandate as expressed by the Shareholder, provide strategic direction and stewardship to the executive, approve the direction of the business, and monitor and report progress of the Corporation in meeting its objectives.

In the beginning of 2005/06 the Audit Committee was a standing committee of the Board of Directors established to assist the Board in fulfilling its financial accountability and oversight responsibilities. Following June 16, 2005 the Board as a whole assumed the responsibilities of the Audit Committee.

The Responsibility of Management

The consolidated financial statements of LWBC for the ten months ended January 31, 2006 are prefaced by a statement setting out management's responsibility for the integrity of those financial statements and the systems of internal controls established to ensure their timely and accurate preparation.

Results of Operations and Changes in Financial Condition

Corporate Information

Consolidated financial statements are presented for LWBC and its subsidiary company 617548 B.C. Ltd. These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and present the financial position of LWBC as at January 31, 2006 and the results of its operations and cash flows for the period then ended.

The Office of the Auditor General has conducted an audit of these consolidated financial statements and their opinion is appended to the statements.

Until June 16, 2005, LWBC continued to deliver programs and was meeting its revenue and expense targets. Once the decision to dissolve the Corporation was made, the process of transferring operations to various government Ministries had an adverse effect on the results for the next 3 months of operations. Once the transfer of responsibilities was completed, effective October 1, 2005, a separate budget was provided for the Corporation to manage the wind-down process.

The Corporation had a net loss of $5.981 million for the ten month period ending January 31, 2006, consisting primarily of a write down of work in progress of $5.1 million, based on the decision that certain land disposition projects against which costs had been capitalized were no longer viable, and a write down in the value of fixed assets transferred to government of $322 thousand. The cost of the wind-down process was under budget by $48 thousand at $833 thousand, and included a provision for unanticipated subsequent costs of $150 thousand, related to the closure of the Corporation.

On October 1, 2005, the Corporation distributed the majority of its assets and liabilities to various government ministries and agencies. A final distribution of the remaining assets and liabilities including a final "dividend" to the Province of $15.243 million took place on February 1, 2006.

All obligations and liabilities were assumed by the Province under an Assignment and Assumption Agreement to enable the Corporation to dissolve prior to government's fiscal year end.

The notes to the financial statements describe more fully the accounting policies of the Corporation and the effect of the discontinued operations. The notes form an integral part of the financial statements.

The following table provides a summary comparison of the Corporation's financial performance compared to 2003/04 and 2004/05 actual results and the 2005/06 budget.

Comparison of Actual Revenues and Expenditures to Budgeted Revenues and Expenditures

	Actual 2003/04	Actual 2004/05	Budget 2005/06	Actual 2005/06	Variance [1] 2005/06
Category ($ in 000's)					
Operating Revenue	50,051	41,488	37,533	18,460	(19,073)
Operating Expenses	44,995	39,410	38,129	23,591	14,538
Income (loss) from Operations	5,096	2,078	(596)	(5,131)	(4,535)
Wind-down expenses	-	-	881[2]	833	48
Net income (loss)	5,096	2,078	(1,477)	(5,964)	(4,487)
Transfer to the Province	90,714	99,056	90,197	33,426	(56,771)

1. *Variances are primarily related to operations being transferred to various government ministries effective October 1, 2005 or as otherwise explained in the text above.*
2. *Wind-down budget was established August 2, 2005.*

Additional schedules

In the previous year, several reports analyzing revenues and expenditures and capitalization of assets were included for information. As the Corporation is no longer operating, these analyses and schedules are not considered beneficial and therefore are not included in this report.

LAND AND WATER BRITISH COLUMBIA INC.

CONSOLIDATED FINANCIAL STATEMENTS

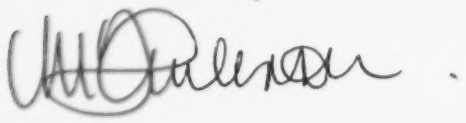
FOR THE TEN MONTHS ENDED JANUARY 31, 2006

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Land and Water British Columbia Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements present fairly the financial position of the Corporation as at January 31, 2006 and the results of its operations and retained earnings and its cash flows for the period then ended.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial statements in a timely manner.

The Auditor General of British Columbia has performed an independent audit of Land and Water British Columbia Inc. The Auditor's Report outlines the scope of this independent audit and expresses an opinion on the consolidated financial statements of Land and Water British Columbia Inc.



Morlene Tomlinson
Interim Chief Executive Officer

Report of the Auditor General of British Columbia

To the Shareholder of the Land and Water British Columbia Inc.:

I have audited the consolidated balance sheet of *Land and Water British Columbia Inc.* as at January 31, 2006 and the consolidated statements of operations and retained earnings, and cash flows for the ten months then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the *Land and Water British Columbia Inc.* as at January 31, 2006 and the results of its operations and its cash flows for the ten months then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

Victoria, British Columbia
February 28, 2006

Wayne Strelioff, FCA
Auditor General

LAND AND WATER BRITISH COLUMBIA INC.

CONSOLIDATED BALANCE SHEET

(in $000's)

	As at Jan 31 2006 $	As at Mar 31 2005 $
ASSETS		
Current assets		
Cash	12,308	55,467
Temporary investments (Note 4)	-	9,413
Accounts receivable	30	3,372
Current portion of long term receivable	-	676
Work-in-progress (Note 5)	-	13,636
	12,338	82,564
Prepaid project costs	-	436
Mortgage receivable (Note 6)	3,389	7,500
Long term receivable (Note 7)	-	1,424
Property held for sale	-	16
Capital assets (Note 8)	-	2,293
	15,727	94,233
LIABILITIES		
Current liabilities		
Accounts payable & accrued liabilities	315	12,851
Loans payable (Note 9)	-	7,534
Current portion of obligation under capital leases	-	197
Current portion of deferred revenue	-	2,940
Due to the Province of British Columbia (Note 10)	169	42,170
	484	65,692
Obligation under capital leases (Note 11)	-	236
Deferred revenue (Note 12)	-	7,081
	484	73,009
SHAREHOLDER'S EQUITY		
Share capital (Note 17)	-	-
Retained earnings	15,243	21,224
	15,243	21,224
	15,727	94,233

Contingent liabilities (Note 18)
Commitments (Note 19)

APPROVED BY THE BOARD:

Director

Director

The accompanying notes are an integral part of these financial statements

LAND AND WATER BRITISH COLUMBIA INC.
CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

(in $000's)	Ten Months Ended Jan 31 2006	Year Ended Mar 31 2005
	$	$
REVENUES		
Fees (Note 13)	14,793	35,295
Recoverable costs	2,483	4,670
Interest earned (Note 14)	1,184	1,523
	18,460	41,488
EXPENSES		
Salaries and benefits	10,978	22,015
Administration	1,395	3,333
Amortization	522	1,088
Contract services	769	2,050
Drought Management Initiative grants	-	1,215
Legal services	340	473
Loss on disposal of capital property	311	-
Project costs (Note 5)	7,684	4,913
Rent	1,326	2,324
Telecommunication and systems	1,116	1,999
	24,441	39,410
NET (LOSS) INCOME FOR THE PERIOD	(5,981)	2,078
RETAINED EARNINGS - BEGINNING OF PERIOD	21,224	19,146
RETAINED EARNINGS - END OF PERIOD	15,243	21,224

The accompanying notes are an integral part of these financial statements.

LAND AND WATER BRITISH COLUMBIA INC.

STATEMENT OF CONSOLIDATED CASH FLOWS

(in $000's)

	Ten Months Ended Jan 31 2006	Year Ended Mar 31 2005
	$	$
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Net (loss) income	(5,981)	2,078
Items not affecting cash:		
Amortization of capital assets	522	1,088
Loss on disposal of capital property	311	1
Net change in non-cash working capital		
Accounts receivable	3,342	(634)
Work-in-progress	13,636	(2,220)
Accounts payable	(12,536)	1,911
Loans payable	(7,534)	(2,466)
Due to the Province	(42,001)	32,316
	(50,241)	32,074
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES		
Prepaid project costs	436	(436)
Mortgage receivable	4,111	-
Long term receivable	2,100	(2,100)
Obligations under capital leases	(433)	(217)
Deferred revenue	(10,021)	2,866
	(3,807)	113
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Proceeds on transfer of property to ministries	16	-
Proceeds on transfer of capital assets to ministries	1,572	13
Purchase of capital assets	(112)	(1,280)
	1,476	(1,267)
NET (DECREASE) INCREASE IN CASH	(52,572)	30,920
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	64,880	33,960
CASH AND CASH EQUIVALENTS - END OF PERIOD	12,308	64,880
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	12,308	55,467
Temporary investments	-	9,413
	12,308	64,880

The accompanying notes are an integral part of these financial statements.

1. The Corporation

Land and Water British Columbia Inc. (the "Corporation"), wholly owned by the Province of British Columbia (the "Province"), was incorporated under the laws of British Columbia on January 5, 1983, as W.L.C. Developments Ltd. Effective June 1, 1998, the Corporation's name changed to British Columbia Assets and Land Corporation and on February 15, 2002, the Corporation's name changed to Land and Water British Columbia Inc.

On June 16, 2005, government announced its intention to transfer responsibility for operations previously the responsibility of the Corporation to various ministries of government effective October 1, 2005, and to wind down the Corporation as soon as possible thereafter. See Note 2 for more specific information on the discontinued operations of the Corporation.

The Corporation's major divisions and principal objectives were:

Land and Water Operations Division – managed active tenures on Crown land, Land Act reserves required for government purposes, and water licences. This division also facilitated land sales, and processed applications for new and replacement Crown land tenures and water licence applications and amendments;

Strategic Initiatives Division – identified and responded to significant business opportunities while leveraging new employment and large-scale investment through a pro-active approach to land and water based investment opportunities;

All Seasons Resorts Division – worked closely with other ministries, agencies, local government, First Nations, resort operators and new investors to support and facilitate the growth and expansion of the resort sector in the province, and led the implementation of key initiatives included in the BC Resort Strategy and Action Plan;

Business Programs and Policy Division - provided policy advice on operational initiatives, economic development, and aboriginal relations, and ensured an orderly and reliable system of managing and allocating water rights in the province. This Division included the Comptroller of Water Rights; and

Corporate Services Division – provided finance and administration services to the Corporation, including financial management and reporting, freedom of information and records management, information technology, communications and strategic human resource services.

As an agent of the Crown, the Corporation is exempt from federal and provincial income taxes.

2. Discontinued operations

On June 16, 2005 the government announced a plan to reorganize its operations. An element of this plan included the distribution of responsibility for virtually all program activity previously administered by the Corporation to various ministries of government effective October 1, 2005 and the wind down of the Corporation as soon as possible thereafter.

Program activities where administrative responsibility was transferred include land disposition and water licensing. Fees for administering these program areas comprised the main source of revenue to the Corporation. After September 30, 2005 corporate revenues relate only to investment activities.

The effective date of the transfer of the majority of assets and liabilities from the Corporation to the various ministries of government given responsibility to administer land disposition and water licensing activities was October 1, 2005. These transfers were recorded at net book value, wherever possible, in accordance with government financial policy. However, certain fixed assets were written down to recognize specific circumstances, resulting in a cost to the Corporation of $322,000.

The remaining assets and liabilities of the Corporation were distributed to the Ministry of Agriculture and Lands effective February 1, 2006.

See Note 5 for the impact of this decision on Work-in-Progress and project costs for the current period.

3. Significant accounting policies

Financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary 617548 B.C. Ltd. All significant inter-company transactions and balances have been eliminated. This subsidiary does not carry out any active business other than holding a mortgage related to the sale of lands formerly held by the Pacific National Exhibition (See Note 6).

Fees are recognized from:

Land sales when all the significant risks and rewards of ownership have passed from the seller to the buyer;

Crown land tenures when earned; and

Crown water resources for applications or water rights when earned.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that may affect the reported amounts and disclosures at the date of the financial statements. Actual results could differ from these estimates.

4. Temporary investments

	Jan 31 2006	Mar 31 2005
Market value	-	9,416
Less: Unrealized gain	-	3
Cost	-	9,413

Prior to the end of January 2006, the temporary investments were liquidated.

5. Work-in-Progress

Work-in-progress is assessed regularly to ensure reported values do not exceed net realizable value. Management reassessment of the feasibility of projects resulted in the determination that some were no longer viable. As a result, unrecoverable project costs of $5,113,000 were charged to expense prior to the end of September, 2005. Effective October 1, 2005, all work-in-progress was transferred to the Province.

6. Mortgage receivable

617548 B.C. Ltd. entered into a mortgage with the purchaser of a portion of the former Pacific National Exhibition lands. The principle amount of $3,388,750 is receivable in full in April 2006. Interest is receivable monthly at a rate of 5.75% per annum. The mortgage was transferred to the Province effective February 1, 2006 as part of the final wind-up of the corporation.

7. Long term receivable

In April 2004, the Corporation accepted a promissory note from the University of British Columbia for the sale of University Golf Course. The principle amount of $2,100,000 plus interest of $150,000 is receivable in three installments of $750,000 each payable on April 1 of each year beginning in 2005. Interest is calculated at an effective rate of 3.5% per annum. The receivable was transferred to the Province in December 2005.

8. Capital assets

	Jan 31 2006			Mar 31 2005
	Cost	Accumulated Amortization	Net	Net
Computer equipment and software	-	-	-	1,153
Furniture and equipment	-	-	-	517
Leasehold improvements	-	-	-	191
Vehicles under capital leases	-	-	-	432
	-	-	-	2,293

Effective October 1, 2005, all capital assets were transferred to the Province.

9. Loans payable

This loan was payable to the Province and related to the purchase of Pacific National Exhibition lands located in Surrey. The Corporation was given authorization in 2002 to borrow up to a maximum of $18 million from the Province, with interest charged based on prevailing money market rates. In April 2004, the Corporation refinanced $7,534,000 with the principal and interest due at the expiry of a one year term. The loan was fully repaid in April 2005.

10. Due to the Province of British Columbia

Payable to:	Jan 31 2006	Mar 31 2005
Ministry of Sustainable Resource Management	-	41,030
Ministry of Agriculture and Lands	169	-
Ministry of Agriculture, Food and Fisheries	-	1
British Columbia Transportation Financing Authority	-	1,139
	169	42,170

11. Obligation under capital leases

Effective October 1, 2005, the obligation for capital leases was transferred to the Province together with the corresponding vehicles.

12. Deferred revenue

Effective October 1, 2005, all deferred revenue was transferred to the Province.

13. Fees

	Jan 31 2006				Mar 31 2005
	Gross Proceeds	**Recoverable Costs**	**Net Provincial Revenue**	**LWBC Revenue**	LWBC Revenue
Land sales	21,320	2,237	17,261	**1,822**	7,058
Land and tenure related	16,707	198	9,691	**6,818**	14,378
Royalties	7,676	48	4,662	**2,966**	7,292
Water licensing	4,922	-	1,812	**3,110**	6,261
Application fees and miscellaneous	77	-	-	**77**	306
	50,702	2,483	33,426	**14,793**	35,295

On completion of Crown land dispositions, the Corporation deducts all recoverable costs related to the disposition and its fee from the gross proceeds prior to remitting the balance to the Province. No fees were recognized, and no sales were made through the Corporation, after September 30, 2005.

14. Interest earned

Interest earned on funds held on behalf of the Province is reported as income of the Corporation as authorized by a Delegation Agreement signed with the Province.

Other sources of interest include cash and temporary investment balances, accounts receivable, mortgage receivable and long term receivable balances.

15. Related Party Transactions

The Corporation is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, unless disclosed separately, are generally considered to be in the normal course of operations and are recorded at the exchange amount.

The Corporation had the following related party transactions during the period, all of which were recorded at the exchange amount:

a. Fees earned include $14,793,000 from the Province

b. Expenses include services received from various Provincial ministries of $787,000 for administration, $105,000 for contracted services, $272,000 for legal services, $68,000 in property transfer taxes, $438,000 for telecommunications and systems, and a provision for unforeseen wind-up costs of $150,000.

c. Rent paid to British Columbia Buildings Corporation of $484,000.

d. Accounts payable and accrued liabilities include $50,000 for legal services.

16. Financial instruments

The Corporation's financial instruments consist of cash, accounts receivable, mortgage receivable, accounts payable, and amounts due to the Province. The fair values of these financial instruments approximate their carrying values. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

17. Share capital

The Corporation has authorized capital consisting of 10,000 common shares with no par value. The Minister of Agriculture and Lands holds the one common share issued as representative of Her Majesty the Queen in right of the Province of British Columbia.

18. Contingent liabilities

The Corporation is the defendant in legal actions but it is not expected that the ultimate outcome of these claims will have a material effect on the financial position of the Corporation. Under an Assignment and Assumption Agreement, dated February 1, 2006 but effective October 1, 2005, the Province has assumed responsibility for any liabilities arising from these claims.

19. Commitments

The Corporation has transferred all leases to the Province, and has no commitments at January 31, 2006.